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MEMORANDUM TO THE ONTARIO COMMITTEE ON TAXATION
by
IMPERIAL TOBACCO COMPANY OF CANADA, LIMITED

PART I - THE EQUITY CONSIDERATIONS

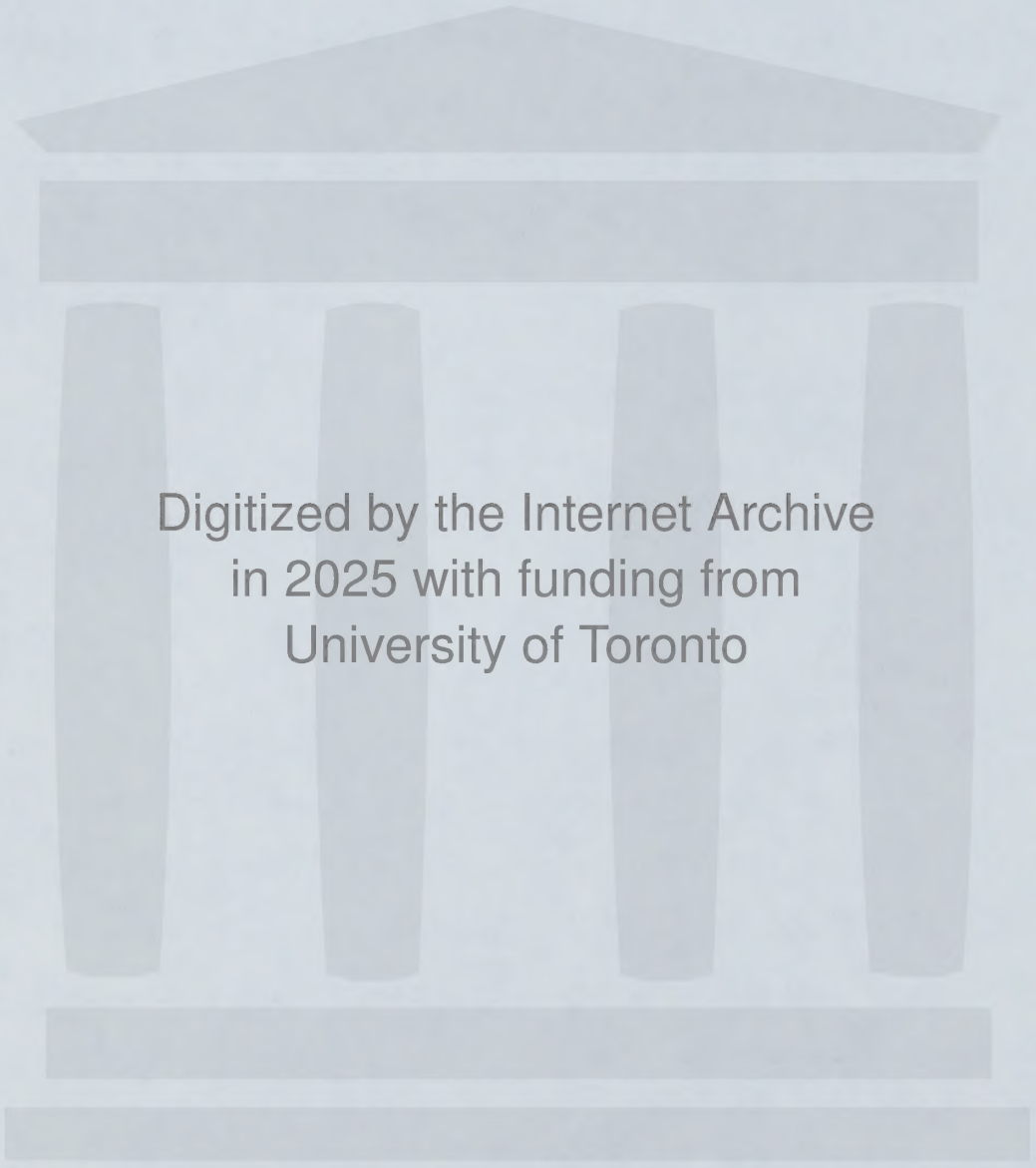
A special commodity tax which is not imposed on an ability to pay, luxury or benefits received basis has no logical place in the tax structure of any government of this country. These taxes with roots in convenience of collections 1
or perhaps in some concept of morality impose an unfair burden on the consumers who must ultimately bear such tax. A government which is contemplating imposing or increasing such taxes must seriously consider the basic injustice of such action.

Historically, tobacco products have been singled out to pay special commodity taxes but these taxes, especially, 2
cannot be justified except on a convenience of collection basis.

No one can say that smoking is immoral but even if it were it is not the place of the tax structure to guide the morality of the population. Tobacco tax cannot be considered a luxury tax nor is a tobacco tax imposed on an ability to pay 3
basis. About 50% of the adult population of Ontario smoke and, except for a few tobacco products, the rich and the poor smoke the same brands and in approximately the same quantities.

PART II - THE ECONOMIC CONSIDERATIONS

No attempt will be made to present a statistical evaluation of the importance of the tobacco industry to the Province of Ontario, to analyze the Federal and other provincial government tobacco tax rates or to project the 4
likely levels of tax revenue and the economic consequences for Ontario that would result from various levels of tobacco tax. All this is known or is being studied by economists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of the Ontario Tax Commission. Imperial Tobacco is confident that the projections will be realistic and necessarily qualified by whatever circumstances may be expected to have a bearing. However, it would be of value to review some basic considerations.

Ontario is the province with the greatest economic obligation to foster an environment conducive to the growth of 5
the Canadian tobacco industry. This environment includes the tobacco tax level of every government in this country.

In evaluating the imposition of special tobacco tax the Ontario Government must consider the impact of such tax on the important economic contribution to the Province of Ontario from the growing, processing and manufacturing sectors of the 6
industry -

(i) A higher tax reduces usage and has a negative impact on the contribution that can be made by the agricultural and manufacturing sectors of this industry.

(ii) If a province with such an economic stake in the industry sees fit to impose a special tobacco tax, then even highly exaggerated special tobacco taxes imposed by other provinces with little or no stake in the industry must remain unchallenged.

If the Ontario Government feels it, too, should share in special tobacco tax revenues then it must act to curb runaway tax impositions by other provinces by pioneering a federal-provincial agreement for a tax sharing plan on tobacco taxes. A tax sharing plan has many administrative advantages and it would enable provinces with an important stake in the 7
welfare of the industry to present their case for a saner overall level of tobacco tax. The manufacturers, tobacco growers and others who depend on the industry will then only have the one appeal to make and they know that they can at least expect the support of the provinces who need and care about the prosperity of the tobacco industry.

PART III - CONCLUSIONS AND A SUGGESTION FOR AN ALTERNATIVE SOURCE OF REVENUE

The case has been presented in simple terms and two simple conclusions are available:-

(i) A special tobacco tax imposes an unfair burden on the consumers of tobacco products.

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(ii) Given Ontario's stake in the Canadian tobacco industry the imposition of a special tobacco tax by this Province could lead to much higher tobacco tax rates in other provinces and serious damage to the tobacco industry.

It would be far more logical, fairer and rewarding were the Province of Ontario to increase the general sales tax level for any additional revenue it felt it must attempt to obtain from commodity taxation.

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DEC - 5 1963

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SUBMISSION TO THE ROYAL COMMISSION ON TAXATION

BY

IMPERIAL TOBACCO COMPANY OF CANADA, LIMITED

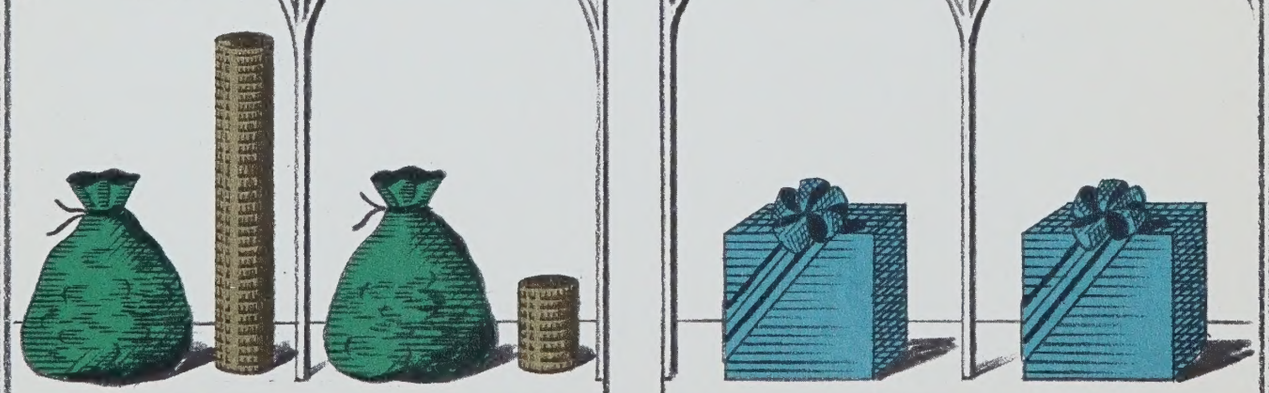
29th APRIL, 1963

CANADIAN FEDERAL GOVERNMENT TAX BANK

PERSONAL INCOME & SALES TAXES SPECIAL COMMODITY TAXES CITIZEN BENEFITS

SMOKERS' EXTRA DEPOSIT
OVER $1,000,000 PER DAY

DEPOSITS		WITHDRAWALS	
SMOKERS	ALL OTHERS	SMOKERS	ALL OTHERS



The coloured figures on the cover are proportional on a volume basis to the federal tax collections from the various mentioned sources for the fiscal year 1961/62. Since half of Canadian adults smoke, Canadian smokers can be assumed to pay half of the sales, personal income tax, and non-tobacco specific commodity taxes. The longer column of coins shown under the smokers' deposit wicket includes that part of non-tobacco specific commodity taxes paid by smokers ($122,500,000) plus $367,000,000 paid in specific tobacco commodity taxes.

ROYAL COMMISSION ON TAXATION

(under Order-in-Council P. C. 1962 — 1334)

SUBMISSION BY
IMPERIAL TOBACCO COMPANY OF CANADA, LIMITED

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IMPERIAL TOBACCO COMPANY OF CANADA, LIMITED

ROYAL COMMISSION ON TAXATION

(Under Order-in-Council P.C. 1962 — 1334)

SUMMARY

This submission is presented on behalf of the Canadian cigarette smoker who is being made to contribute an unreasonable amount to Federal revenues.

The cigarette smoking half of the population is drastically more highly taxed than the other without any pretence at equity or benefit.

A commodity as widely used as cigarettes cannot be considered a luxury, yet it bears the highest tax of any commodity.

It is not the function of our tax system to regulate smoking for non-economic reasons valid or not.

By any acceptable yardstick the rates of federal excise taxes on cigarettes are abnormal and unreasonable.

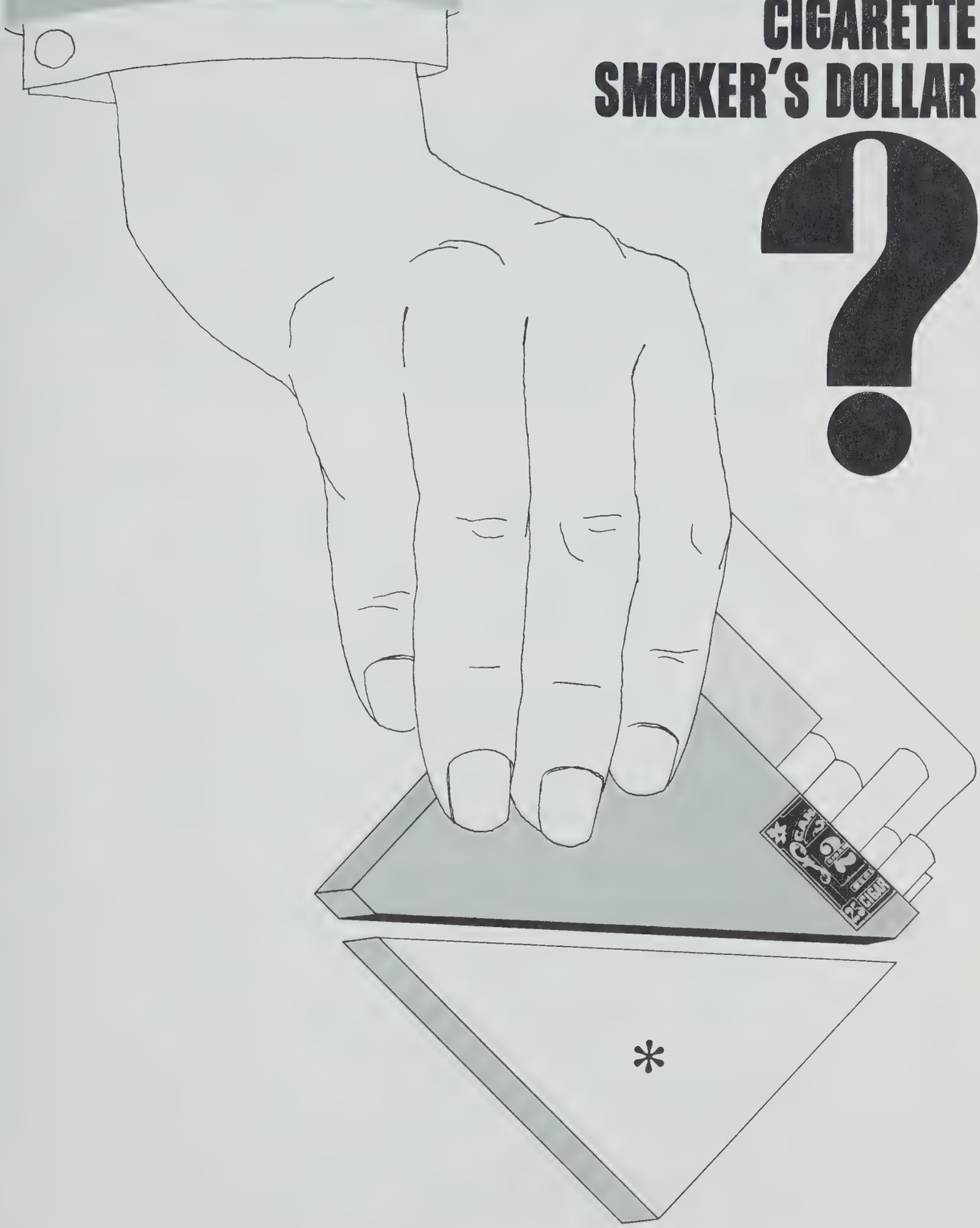
The cigarette industry is almost one hundred per cent Canadian. Drastic levels of taxation not only affect smokers but also affect the livelihood of the tobacco farmer and tens of thousands of working Canadians from all sections of the economy.

Alternative sources of revenue are available by removing a number of exemptions presently allowed from the Federal Sales Tax and by applying the Federal Sales Tax on a broader base, particularly to the sale of services.

It is recommended that the rates of Excise Duty and Excise Tax on cigarettes be cut in half. Even if this is done, federal excise taxes on cigarettes will be ten times the level of the general sales tax.

COLLECTOR OF FEDERAL EXCISE TAXES

WHO SHARES THE CANADIAN CIGARETTE SMOKER'S DOLLAR



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Shared among:

Tobacco farmer ■ Tobacco processor ■ Supplier of other manufacturing materials ■ Worker — plant and office Manufacturer ■ Merchandiser ■ Trucker and railroader ■ Wholesaler ■ Retailer ■ Supplier — other goods and services Collector of Federal Corporate Tax ■ Collector of Provincial Taxes ■ Collector of Municipal Taxes

Terminology:

In this submission the phrase "federal excise taxes" includes federal excise duty (levied under the Excise Act), federal excise tax and federal sales tax (both levied under the Excise Tax Act). The phrase "federal tobacco taxes" includes the excise duty and excise tax on tobacco products but does not include the sales tax on tobacco products. 1

Introduction:

It will presumably come as no surprise that we intend to argue in this submission, on behalf of the Canadian smoker, that federal tobacco taxes should be reduced. Unfortunately to propose a reduction in these taxes is, in the nature of things, to appear to be asking for concessions. In this instance this is not the case. The smoker is not seeking special treatment. Quite the contrary — he is seeking relief from the special treatment he has been getting. The reductions we request are from rates of taxation we believe to be quite indefensible. In support of this contention we would first like to make a few observations on the present levels of federal tobacco taxation, in case these are wrongly assumed to be normal or reasonable. 2

Specific commodity taxes

To begin with, we suggest there can be no basic fairness in specific commodity taxes on widely used products, such as tobacco, which are clearly not restricted to a small privileged class and which are characteristically used in approximately the same quantities by all income groups. They are not based on ability-to-pay. Nor are all such taxes based on the principle of specific benefits received. 3

Specific commodity taxes are resorted to on the grounds of convenience. They are productive and easy to collect. We appreciate that such taxes are imposed in all countries, and that it is unrealistic to suggest that Canada can get by entirely without them. However it should be made clear from the start that the justification for specific commodity taxes on tobacco, which is so widely used, can only be expediency and not fairness or equity. 4

That the federal tobacco taxes are inequitable is perhaps self-evident, but the extent of the unfairness may go unrecognized. However a very simple example will demonstrate how extreme this unfairness is. Take the representative case of a married man, with two children, earning the average industrial wage of $4,000 a year. He will pay income tax of $191. If he and his wife each smoke a 20-cigarette pack a day, they will pay an additional $146 a year in federal excise taxes on cigarettes. This means that while we go to great pains to establish a personal income tax carefully graduated in accordance with ability-to-pay, any equity we may attain is lost when people in the same circumstances pay 75% more tax if they happen to be smokers. As approximately half the adult population are in fact smokers, it means that one-half of the population is drastically more highly taxed than the other without any pretence at equity or benefit. 5

In illustrating our point by reference to a taxpayer at the $4,000 salary level, we are of course not taking the most extreme example we could find. As a matter of fact, the majority of taxpayers earn less than $4,000 and the comparison for them would be more striking for that reason — because income taxes drop as we go down the earnings scale while federal excise taxes on cigarettes do not. 6

In this simple illustration we deal only with personal income taxes and federal 7

excise taxes on cigarettes. It might perhaps be thought that, in the complex labyrinth of our tax system, there must be many such anomalies — but this is not so. Cigarettes stand alone in this respect. Other tobacco products, distilled spirits and malt beer come closest to cigarettes as targets for taxation, but only distilled spirits approach the same level of taxation.

Why pick on tobacco?

Surely the present rates of tax on tobacco, which are so far out of line with our whole tax pattern, could not have been enacted, even on grounds of expediency, had not certain non-economic (and we think irrelevant) considerations had their influence. It is surely undesirable that this should be so — and particularly when some of these attitudes to tobacco are based on doubtful logic. 8

To some extent our high tobacco taxes are undoubtedly attributable to opposition to smoking which, though sometimes quite passionate, is based on rather vague grounds. It would be difficult without making this submission intolerably long, to deal fully with this opposition to smoking, but we must comment briefly on the notions that smoking is a luxury, or even that it is immoral or that it might be injurious to health. 9

Smoking is certainly an odd kind of luxury. It is enjoyed by half the adult population, and not by a privileged few. With the exception of a few connoisseurs of fine cigars, there is no difference in the smoking pattern of rich and poor. Any cut-and-dried distinction between luxuries and necessities is purely arbitrary. It is much more realistic to consider that there are degrees in which products are more or less necessary — and a wide range of personal opinion as to what is necessary and what is not. After all, only a negligible minority of Canadians are literally at a subsistence level, and the absolute necessities to maintain life are a limited part of the expenditures of almost any Canadian family. When we get beyond the basic minimum expenditure on food, clothing and shelter to maintain life, every expenditure might be said to have some element of "luxury" in it. It is interesting to note that tobacco is a component in the D.B.S. consumer price index which is based on average family spending habits. 10

We do not believe that the arguments that smoking is immoral or that it might be injurious to health are valid — but even if there were some element of validity in these viewpoints, it should not be the function of our tax system to regulate smoking. To attempt to do so introduces invidious distinctions in the treatment of taxpayers and constitutes an attempt to steer consumer demand from what people want to spend their money on to something else. As the economists would say — the result is "a less than optimum level of consumer satisfaction". 11

Other aspects

Half the adult population smokes and this results in unfair tax burdens as between people. However a high tax on cigarettes would still be unfair even if everybody smoked. A person with ten times the income of another does not smoke ten times as many cigarettes — it would be impossible. The daily ration is fairly standard regardless of income and the quality of cigarettes is well nigh uniform. The same brands are found in the poolroom as in the boardroom — in the bunkhouse as in the penthouse. The federal tobacco taxes on cigarettes are, in effect, a substantial poll tax imposed on an arbitrarily selected group — the sort of levy which all authorities would assign to the lowest place of all on the tax totem pole. 12

The reverse or negative aspects of the tax likewise deserve analysis. At present 13

levels, the federal tobacco taxes on cigarettes must cause a substantially decreased usage, as is evidenced by the fact that Americans, with a substantially lower tax rate, smoke over 25% more than Canadians per capita. Those who are deterred from smoking represent a net loss in satisfaction and pleasure in the community.

Reasonable degrees of reliance on specific commodity taxes

We would not presume to brush aside the problems which governments must face in meeting their budget requirements. We simply argue that at present the specific taxes on tobacco products are higher than can be justified on any reasonable grounds. We make this statement with a full appreciation of the fact that there are no theoretical formulae which can be invoked to establish what proper rates of taxation should be in a case of this sort. 14

Lacking any theoretical yardstick, we suggest that the only practical course is to judge the rates of federal excise taxes on cigarettes in Canada —

(a) by common sense,
(b) in comparison with other commodity taxes now in effect in Canada, 15
(c) in comparison with federal tobacco taxes in Canada at other periods, and
(d) in comparison with federal excise taxes on cigarettes in other countries.

(a) *Common sense*

We make bold to observe that our federal tobacco taxes can be seen to be too high by simple common sense. At the present time, federal tobacco taxes provide approximately 7% of the federal budgetary tax revenue — and this simple figure surely establishes the excessive reliance of the Federal Government on specific commodity taxes on this one product. This contrasts sharply with the picture in the U.S.A., where tobacco taxes provide 2% of the federal budgetary tax revenue. We believe that the federal excise taxes on tobacco would be generally recognized as being completely unfair if the tax rates were expressed on a basis which really indicated their heavy impact. For example, if it were generally recognized that these taxes on cigarettes in Canada now averaged 209% on the manufacturers' sales price (net of taxes) or 124% on the retail sales price (net of taxes), it would be self-evident that this product is suffering from excessive taxation. The calculation of the present rates of federal excise taxes on cigarettes is shown in Appendix A. 16

In this submission we must frequently offer comparisons in terms of percentages, but we would like to emphasize that the amounts of money involved in these taxes are very large indeed. Many dramatic illustrations of this fact could be given. To state just one, it will be freely conceded that the building of the St. Lawrence Seaway was a courageous venture on an enormous scale for our country — yet one year's federal excise taxes on tobacco products would provide for 80% of the original cost of this Seaway to the Canadian Government. Or again, there is the simple fact that the amount collected in the fiscal year 1961/62 by these federal excise taxes reached the astronomical figure of $410,000,000. 17

(b) *Comparison with other commodity taxes now in effect in Canada*

Cigarettes are now the highest taxed product in the country. We submit as Appendix B some comparisons with other products. We believe all of these comparisons are quite illuminating — for example cigarettes 124% of retail price net of taxes; distilled spirits 59% of retail price net of taxes (including provincial markup); soft drinks 9% of retail price net of taxes, and chocolates, etc., 8%. If automobiles 18

were taxed at the same rate as cigarettes, a family car now costing $2,400 would cost $6,680.

(c) *Comparison with federal tobacco taxes in Canada at other periods*

We attach in Appendices C and D some comparisons of the rates of increase between 1950 and the present day for various tobacco commodities. Looking back over a longer period, it could be shown that while the general sales tax has increased 38% since prewar days (all of which increase is due to the old age security tax), the federal tobacco taxes on cigarettes are up 125% and on manufactured tobacco 475%. 19

We might also point out that federal tobacco taxes on cigarettes are close to what they were in the emergency days of World War II, when there was obviously justification for raising revenue by any possible means. These taxes have not been materially higher at any time in Canadian history, with the exception of the brief period following the tax increases of 1951. The latter increases were removed when it became clear that rates had been pushed beyond the point of diminishing returns. In that period the use of smuggled tobacco products became acceptable to a large number of Canadians (a most conclusive proof of the excessiveness of the tax rates). We have estimated that, in this unhappy period, 10% of the cigarettes smoked in Canada were smuggled into the country. 20

That the Government's reliance on federal tobacco taxes is not only excessive but is increasingly excessive is demonstrated in Appendix E. It can be noted that while federal tobacco taxes were 67% of all other federal specific commodity taxes, excluding tobacco taxes in the fiscal year 1951/52, this percentage has increased over the years and rose to 150% in 1961/62. 21

(d) *Comparison with federal excise taxes on cigarettes in other countries*

We suggest it is anomalous that federal excise taxes on cigarettes are approximately twice as high in Canada as they are in the United States. Taking federal excise taxes alone, the comparative tax on a package of twenty cigarettes is 20 cents in Canada and 8 cents in the U.S.A. If State or Provincial taxes are included an average must be struck as there is, of course, no uniformity between different local authorities. With these State or Provincial taxes included and averaged, the comparison is 22 cents in Canada and 12 cents in the U.S.A. 22

When making comparisons with other countries, we believe that the U.S.A. which, like Canada, has a completely domestic cigarette industry, provides the fairest and most telling comparison. If one ranged abroad, many different situations would be encountered — depending on local conditions such as type of government, quantity of imported leaf tobacco, etc. 23

The tobacco industry

We consider it significant that the cigarette industry is about as close to being a one-hundred-per-cent Canadian operation as could possibly be imagined. Very striking comparisons could be made with almost any other industry. We therefore wish to emphasize that, in thinking of the effects of excessive tobacco taxes, it is wrong to concentrate entirely on the hardships imposed on cigarette smokers. There is also the question of the farmers, who suffer obvious loss of production when excessive tax rates reduce per capita usage of tobacco. 24

We believe that the very heavy rates of federal tobacco taxes imposed on cigarettes in Canada tend demonstrably to reduce usage. In Appendix F we indicate the effect on usage of some of the changes in rates in recent years. 25

We might point out some of the achievements of our industry. If this appears immodest, we can only confess that we do take considerable pride in the way this industry has operated. 26

Until 1925, practically all the tobacco used in Canada was imported. Now our tobacco is virtually 100% home grown. In the transition, an industry has been built up which brings a cash crop to 6,000 farmers and wages to 40,000 seasonal farm workers. It is the most important cash crop grown in Ontario — earning four times the value of the entire Ontario fruit crop. The manufacturing end of the industry employs 10,000 people and there are 90,000 retail outlets. 27

We suggest that the industry operates with admirable efficiency. To Canadians, with their constant experience of higher prices in Canada compared to the U.S.A., perhaps the most striking fact would be that Canadian manufacturers' prices of cigarettes are virtually as low as American on a net of taxes basis. We are not a high cost industry appealing for help to survive. 28

In the ten-year period from 1952 to 1962, the manufacturers' selling price (net of taxes) dropped 6%, while the average hourly wage of tobacco workers rose 50% and the cost of cigarette tobacco rose 25%. In the same period the corresponding American average price has risen by some 30%. 29

Alternative sources of revenue

In recommending reductions in taxes we would like to suggest alternative sources of revenue. The important point in any reform of taxes is to start with an appreciation of the government's obligation to collect revenue — and this means in effect that proper tax reform must start with control of expenditures. In our opinion it is a pity that so much importance appears to be concentrated on the budget address — when the really important debates should centre around approval of expenditures. 30

From our point of view, we believe the government should reduce federal tobacco taxes on cigarettes, and that the revenue thus lost could fairly be made up by increasing almost any other tax — a sweeping conclusion which we reach through our conviction that cigarettes are more excessively taxed than any other commodity. 31

While through the exigencies of budgetary demands the tax authorities have done quite a job of covering available sources of taxation, there are certain untaxed areas which might warrant attention. For example, while the general sales tax produces a very important part of the government's revenue, there are quite wide areas of exemption — such as the sale of services. An increasing part of the nation's spending is now in the service area. This is illustrated by the fact that personal expenditure on consumer services expressed as a percentage of personal expenditure on consumer goods and services has risen from 30.7% in 1952 to 38.8% in 1962, according to D.B.S. statistics. This area of services must provide considerable possibilities for new tax revenue. 32

Taxes on tobacco products other than cigarettes

In the interests of simplicity, the illustrations we have given throughout this submission are based largely on federal tobacco taxes on cigarettes — which is much the most important of the federal tobacco taxes. However we would like to point out that similar criticisms can be directed to the high rates of tax on cigars and other tobacco products. 33

Recommendations

From the arguments advanced in this submission, it will no doubt be appreciated that we believe a strong case can be made in equity for the abolition of federal tobacco taxes. If in an imperfect world this is out of the question, we urge a very drastic reduction in these taxes. Even if the taxes were cut in half, they would remain higher than tobacco taxes in the U.S.A. — and would also remain at approximately ten times the level of the general sales tax. 34

With all possible sympathy for the Government's problems in raising revenue, surely no one in his right mind could suggest that federal tobacco taxes on cigarettes at 50% of present levels would be too low. 35

When submissions on a case such as this have been made to the Minister of Finance, as has been done for many years, it is understandable that matters of expediency vie with matters of equity, but where a long term study is being made it is hoped that federal tobacco taxes will be studied in perspective. Disregarding any immediate loss of revenue of the magnitude which would result from our proposal, it is thought that the basic reasonableness of the smokers' case cannot be questioned. We believe that the case for a drastic reduction in federal tobacco taxes on cigarettes should be accepted in principle and a program of working steadily to this end should be implemented without delay. 36

* * * * *

The recommendations we make in this submission are of concern to a great many Canadians. As mentioned above, half the adult population smokes and more people pay tobacco taxes than income taxes. 37

In this presentation we have attempted to confine ourselves to a few simple illustrations in support of our contention that federal tobacco taxes are much too high. If any further supporting statistics are required, they can easily be produced. We would be very glad to co-operate in any way in producing them. 38

We have set out in Appendix G summarized information about our Company to illustrate our part in the tobacco industry. 39

29th March, 1963.

APPENDIX A

CALCULATION OF PRESENT RATES OF FEDERAL EXCISE TAXES ON CIGARETTES

	PER THOUSAND CIGARETTES	
	TAXES	TOTAL
Manufacturers' selling price net of taxes		4.78
Excise duty $4.00 per thousand	4.00	4.00
		8.78
Sales tax on above at 11%	.97	.97
		9.75
Excise tax 2½ cents per five cigarettes	5.00	5.00
	9.97	14.75
Wholesalers' and retailers' markup		3.25
Suggested retail price		18.00

Federal excise taxes as a proportion of manufacturers' selling price net of taxes

$$\frac{\$9.97}{\$4.78} = 209\%$$

Federal excise taxes as a proportion of suggested retail price net of taxes

$$\frac{\$\ 9.97}{\$18.00 - 9.97} = 124\%$$

APPENDIX B

COMPARATIVE RATES OF FEDERAL COMMODITY TAXATION INCLUDING SALES TAX
REPRESENTATIVE COMMODITIES — 1962

		RATE AS PROPORTION OF MANUFACTURERS' SELLING PRICE NET OF TAXES	RATE AS PROPORTION OF RETAIL PRICE	RATE AS PROPORTION OF RETAIL PRICE NET OF TAXES
Chocolates, Confectionery, etc.	(1)	11%	7%	8%
Cigarettes	(1)	209%	55%	124%
Manufactured Tobacco	(1)	89%	38%	62%
Soft Drinks	(1)	11%	8%	9%
Automobiles	(2)	11%	8%	9%
Radios, T.V.'s, etc.	(2)	26%	17%	20%
Malt Beer	(3)	42%	24%	31%
Distilled Spirits	(4)	197%	37%	59%

(1) Based on trade prices for representative standard products.
(2) Assuming the distributive trade markup to be 20% of the retail price.
(3) Based on $3.75 case (24 small Ontario) and assuming the Provincial markup to be 20% of the retail price.
(4) Based on Distillery Industry Figures.

APPENDIX C

RATES OF FEDERAL EXCISE TAXES* ON MANUFACTURED TOBACCO PRODUCTS

DATE OF CHANGE	CIGARETTES PER THOUSAND			CIGARS PER THOUSAND			MANUFACTURED TOBACCO PER POUND		
	EXCISE TAX	EXCISE DUTY	SALES TAX	EXCISE TAX	EXCISE DUTY	SALES TAX	EXCISE TAX	EXCISE DUTY	SALES TAX
1950	$4.00 (2)	$6.00	8%	25% (1)	$1.00	8%	$0.32 (2)	$0.35 (2)	8%
1951 April (X)	5.50	6.00	10%	25%	1.00	10%	.80	.35	10%
1952 April (Y)	4.00	6.00	10%	15%	1.00	10%	.80	.35	10%
1953 February (Y)	4.00	4.00	10%	15%	1.00	10%	.80	.35	10%
1959 April (X)	5.00	4.00	11%	15%	2.00	11%	.80	.35	11%

(1) Established in June 1946 to replace prewar system of specific graduated rates.
(2) Rate established in 1943 which was the wartime peak following successive tax increases from the prewar rates shown below:

PREWAR RATES	EXCISE TAX	EXCISE DUTY	SALES TAX
CIGARETTES	—	$4.00	8%
MANUFACTURED TOBACCO	—	$0.20	8%

* Comprised of Excise Tax, Excise Duty and Sales Tax applicable to Domestic Tobacco Products.
(X) Tax increase year—cigarettes (Y) Tax decrease year—cigarettes

APPENDIX D

TOTAL FEDERAL EXCISE TAXES* ON REPRESENTATIVE STANDARD TOBACCO PRODUCTS

DATE OF CHANGE	CIGARETTES PER THOUSAND	CIGARS PER THOUSAND 5¢	CIGARS PER THOUSAND 10¢	MANUFACTURED TOBACCO PER POUND
1950	$10.81 (1)	$11.06	$18.85	$0.79 (1)
1951 April (X)	12.54	11.51	19.65	1.31
1951 October	12.60 (2)	11.51	19.65	1.31
1952 April (Y)	11.10	9.11	17.00	1.31
1953 February (Y)	8.86	9.11	17.00	1.31
1959 April (X)	9.97	10.46	18.71	1.34
1961 July	9.97	10.46	18.71	1.36 (2)

(1) Prewar — Cigarettes $4.57
Mfd. Tobacco $0.28

(2) Due to price adjustment

* Comprised of Excise Tax, Excise Duty and Sales Tax applicable to Domestic Tobacco Products.

(X) Tax increase year—cigarettes (Y) Tax decrease year—cigarettes

APPENDIX E

TOTAL FEDERAL EXCISE TAXES (EXCLUDING SALES TAX)* PAID BY THE CONSUMER OF MANUFACTURED TOBACCO PRODUCTS COMPARED WITH OTHER REPRESENTATIVE COMMODITIES

(MILLIONS OF DOLLARS)

FISCAL YEAR	AUTOS	BEER	SPIRITS	RADIOS, T.V.'S, ETC.	CHOCOLATES, CONFECTIONERY, ETC.	TIRES AND TUBES	ALL OTHERS	TOTAL (EXCL. TOBACCO PRODUCTS)	MANUFACTURED TOBACCO PRODUCTS	
									AMOUNT	AS A RATIO TO TOTAL (EXCLUDING TOBACCO PRODUCTS)
1950-51	51.2	68.2	60.1	5.4	17.1	8.6	43.8	254.4	198.3	78
1951-52	77.9	77.6	45.9	7.9	30.0	11.7	57.3	308.3	205.1	67
1952-53	68.2	85.9	48.6	10.1	23.6	10.6	45.2	292.2	217.2	74
1953-54	82.1	83.5	69.2	15.9	23.4	10.4	30.2	314.7	207.6	66
1954-55	63.2	73.8	72.2	20.5	17.2	8.1	15.2	270.2	213.1	79
1955-56	62.5	80.7	77.5	21.6	17.0	.8	14.6	274.7	235.2	86
1956-57	69.3	83.1	86.2	17.8	17.9	—	15.9	290.2	251.5	87
1957-58	62.1	88.2	89.9	15.5	1.3	—	15.6	272.6	272.3	100
1958-59	47.3	83.1	96.6	15.5	—	—	16.2	258.7	287.5	111
1959-60	47.3	90.7	102.4	14.7	—	—	17.3	272.4	330.0	121
1960-61	44.9	91.0	108.5	12.8	—	—	19.4	276.6	342.9	124
1961-62 EST.								245.0	367.1	150

* Comprised of Excise Tax and Excise Duty applicable to Domestic Products.
Source: Department of National Revenue Annual Reports.

APPENDIX F

VOLUME OF MANUFACTURED TOBACCO PRODUCTS CONSUMED IN CANADA

PER CAPITA

	CIGARETTES		CIGARS		MANUFACTURED TOBACCO	
FISCAL YEAR	UNITS	% CHANGE	UNITS	% CHANGE	POUNDS	% CHANGE
1950-51	1,244		14.8		2.14	
1951-52 (X)	1,048	−15.8	11.6	−21.6	2.18	+ 1.9
1952-53 (Y)	1,273	+21.5	14.6	+25.9	2.29	+ 5.0
1953-54 (Y)	1,448	+13.7	16.3	+11.6	1.87	−18.4
1954-55	1,470	+ 1.5	15.6	− 4.3	1.75	− 6.4
1955-56	1,589	+ 8.1	16.5	+ 5.8	1.62	− 7.4
1956-57	1,732	+ 9.0	16.4	− 0.6	1.42	−12.4
1957-58	1,830	+ 5.7	17.8	+ 8.5	1.36	− 4.2
1958-59	1,926	+ 5.2	18.7	+ 5.1	1.37	+ 0.7
1959-60 (X)	1,952	+ 1.3	18.5	− 1.1	1.38	+ 0.7
1960-61	1,942	− 0.6	19.2	+ 3.8	1.35	− 2.2
1961-62	2,044	+ 5.3	18.6	− 3.1	1.34	− 0.7

(X) Tax increase year—cigarettes (Y) Tax decrease year—cigarettes

Source: Department of National Revenue Excise Figures and D.B.S. Population Estimates as of September 1 of each year.

APPENDIX G

A NOTE ABOUT THE COMPANY

Incorporated in 1912 to acquire a company of the same name formed in 1908, Imperial Tobacco with its subsidiaries is the largest manufacturer of cigarettes, cigars and cut tobacco in Canada, supplying about 50% of the Canadian market.

Manufacturing plants are located at Montreal, Granby and Quebec City in Quebec and at Hamilton and Guelph in Ontario. Cigar leaf is processed at Joliette, P.Q., and cigars are manufactured at Montreal. Tobacco leaf processing plants are maintained at Delhi and Aylmer, Ontario. A wholly-owned subsidiary, United Cigar Stores Ltd., owns retail stores in most provinces. Distributing warehouses and sales offices are maintained in ten principal cities from Newfoundland to British Columbia.

The Company has about 12,000 common shareholders and employs approximately 6,000 people.

Imperial's brands and the brands of associated companies include: *Cigarettes:* Player's, Sweet Caporal, Winchester, Buckingham, Gold Flake, Pall Mall, Philip Morris, Marlboro, Filter Player's, Kool (mentholated filter-tipped), Cameo (mentholated filter-tipped), du Maurier (filter-tipped), Viceroy (filter-tipped), Matinée (filter-tipped), Peter Jackson (filter-tipped). *Cigars:* House of Lords, White Owl, Ricardo, Robert Burns, Daily Double, La Palina, Marguerite, Old Port, Peg Top. *Tobaccos:* Player's, Ogdens, Old Virginia, Old Chum, Piccadilly, Picobac, Alouette, Brahadi's (Mild Cavendish), Philip Morris, La Salle, Imperial Mixture, Forest and Stream, and Vogue.

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